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Central Intelligence Agency

Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

1 July 1985

Japan: Reviewing Short-Term Trade Policy Options [redacted]

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Summary

Japanese trade policymakers are currently dividing their time between drawing up an action plan for liberalizing imports over the next three to five years and devising short-term measures to halt the growth of the trade surplus. Although several temporary measures are likely to be implemented during the summer, we believe voluntary export restraints (VERs) probably will form the centerpiece of Tokyo's efforts to placate foreign critics. [redacted]

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Temporary Trade Measures: Deja Vu?

Instead of focusing solely on medium-term plans to liberalize imports, Japanese bureaucrats and politicians have devoted an increasing amount of time to formulating temporary, reversible trade measures. In many ways, this exercise resembles similar activity preceding other trade packages. But we believe the new discussions about short-term trade measures are more likely to result in concrete--and bolder--measures than has been the case with past trial balloons.

This memorandum was prepared by [redacted] Japan Branch, Northeast Asia Division, Office of East Asian Analysis. Information available as of 24 June 1985 was used in its preparation. Comments and questions are welcome and may be directed to the Chief, Japan Branch, Northeast Asia Division, OEA, [redacted]

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-- Japanese officials probably view short-term measures as a means of mollifying critics of the July action plan, which many in Tokyo are already predicting will disappoint the country's trading partners partly because it will not include any revision in import quotas.

-- Even bureaucrats who are more sanguine about the action plan's contents may support short-term measures. They may believe such measures would reduce trade friction long enough to let permanent liberalization begin to pay off in terms of a reduced surplus. [redacted]

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As evaluation of policy options has proceeded, some choices--in particular, capital controls--have lost their luster. On the other hand, export restraint appears to be gaining support, although most officials in Tokyo recognize it does not address US demands for boosting Japanese imports.

-- Export restraint is being stressed at the expense of import promotion because the latter relies heavily on the willingness of private companies to obey administrative guidance. [redacted]

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-- The debate on what form export restraint should take--VERs or a tax on exports--grew more heated during June. According to press reports, by favoring VERs, Prime Minister Nakasone has pitted himself against other leaders of his own party who support an export surcharge. With businessmen siding with Nakasone, quantitative restraints stand a good chance of being implemented if the trade surplus continues to grow [redacted]

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